

Defense Logistics Enterprise Transformation

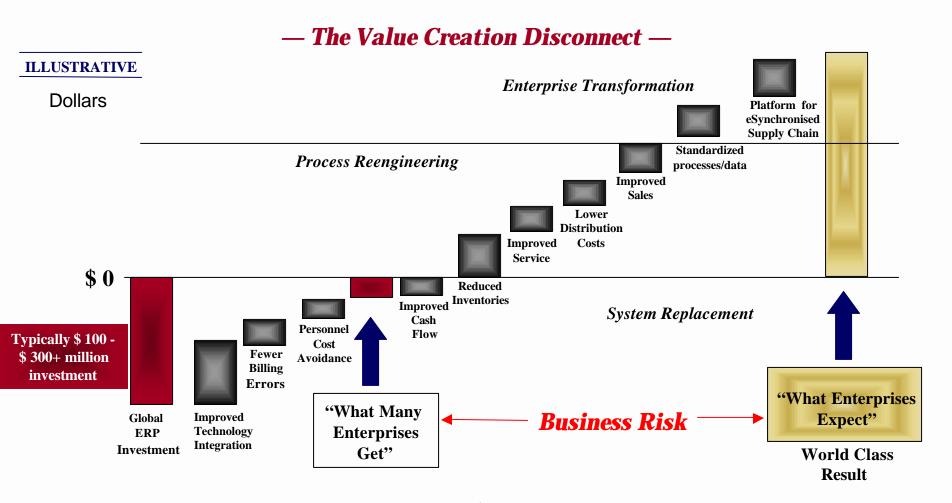
Presented to NDIA Logistics Conference

14 March 2002

USD (AT&L) memo 13 February: Quadrennial Defense Review "mandated implementing performance based logistics and modern business systems with appropriate metrics to compress the supply chain, eliminate non-value added steps and improve readiness for major weapons systems and commodities".

We have spent a number of years analyzing how the military services and DLA can improve supply chain performance with the goal of increasing readiness while reducing costs – in other words....

Better service... at lower cost...within current budget constraints!



- Performance Objectives/Definition of Success
- Strategic Partnership/Performance Based Contract
- Commitment and <u>Leadership from the Top</u>
- Recognition that <u>Change Management is The Challenge</u>
- Undertake <u>BPR at Enterprise Level</u> vs ERP Level
- Adopt vs Adapt
- Deployment Strategy <u>1st Increment Functionally Broad</u>
- Infostructure Bundled with Business Solution



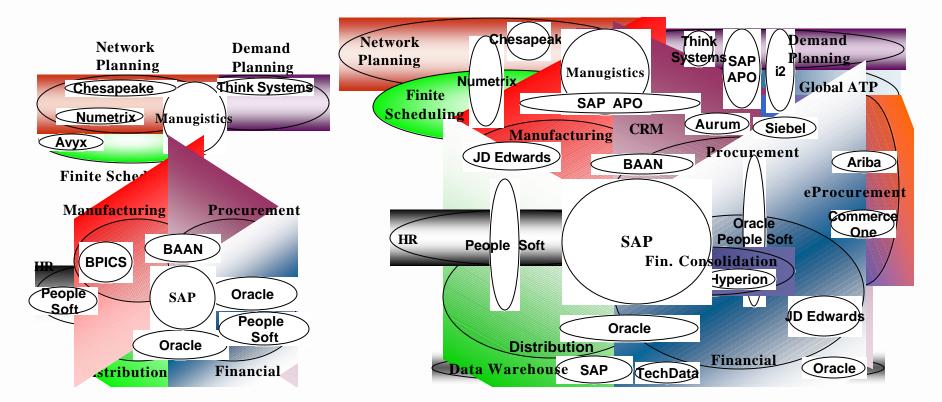
BSM – A Successful Transformation Model

DLA defined business outcomes – 100% tied to contractor payments

- Vice Director (RADM Archer) fully engaged and driving Modernization Executive Board consisting of Flag/SES stakeholders
- BPR Phase addressed all supply chain functions across enterprise
 - Customer segmentation
 - Customer facing organizational design
 - Customer facing performance metrics
- Using best practices to transform to commercial business processes enabled by leading COTS products (SAP, Manugistics, PD2) – no mods to COTS
- Release 1 is >80% functionality to 5% of users
- Production data center/help desk in scope, performance metrics

aecenture

1997 2002



The market for COTS ERP/SCM and 'bolt-ons' is ever changing at a rapid pace



Solicitation stated performance objectives and then asked bidders to select solution components...

BSM Vision

Customer Direct
DLA Direct
Financial Mgmt
Integrated
Customer Teams

Accomplished Through Best Practice Processes

- Supply Chain Synchronization
- Supply Chain Optimization
- Supply Chain Compression
- Supply Chain Flexibility
- Customer/SupplierRelationship Management
- Emergent Problem Resolution
- Total Asset Visibility
- Organizational Enablement
- Scaleable Architecture
- Performance Metrics

Fulfills DLA's Objectives

- Enhanced Supply Chain Capabilities
- Implementation of Appropriate Best Practices
- Achievement of an Environment that Provides Asset Visibility throughout the Supply Chain and Decreased Material Costs

... and determine degree of risk-sharing.

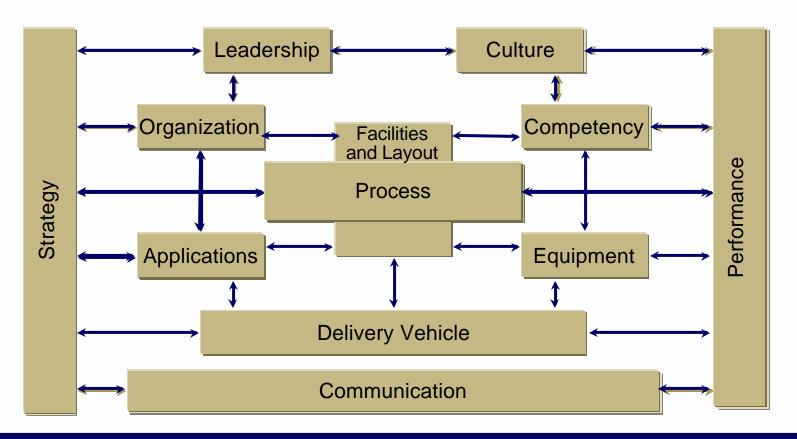
KPP	Metric	Task Order										
		1	2	3	4	5	6	7	8	9	10	11
Interoperability	IER Matrix Compliance		1	I				✓				
Customer Satisfaction	Customer Satisfaction Rating								1	✓	1	✓
Affordability	Supply Chain Management Costs as a % of Sales	1	✓			1	✓	✓				
	Inventory Turns	✓	1			√	√	1				
Sustainability	Aggregate Supply Availability	✓	✓			√	✓	✓	✓	✓	✓	✓
Percent of Primary Scope Price		10%	22%	0.3%	0.5%	19%	10%	11%	3%	7%	8%	10%
Percent of Price tied to top-level KPPs		69%	91%	0%	0%	94%	92%	84%	100%	100%	100%	100%

We tie over 90% of the primary scope price to DLA's top-level performance parameters



Linking Strategy to Performance

Business Architecture Blueprint



We are using a proven process to successfully achieve enterprise transformation



Simulation is a powerful technique that can be used to:

- Prototype and validate business cases by creating a dynamic model of existing or proposed processes to evaluate the characteristics and behavior of those processes under various operating conditions and by simulating demand for those processes.
- Mitigate process performance risk through experimentation with new processes before building and implementing them.
- Assess process sensitivity by understanding how various activities within processes interact and how changes will affect overall performance.
- Promote group understanding and buy-in through the use of rigorous analysis and the compelling animation of a dynamic process model.
- Promote better decision making from an increased understanding of the business environment.

Integrated Customer Team (Notional) – A Major Transformation

Demand Planning Supplier Customer Demand Planner Market Analyst Management Demand Data Maintainer Service Customer Relationship Manager **Contract Specialist** · Customer Account Contract Officer Specialist Technical/Quality Analyst Weapons System **Supply Planning** Supplier Relationship Support Manager Readiness Specialist Supply Planner Manager Emergency Support Supply Data Maintainer Pricing Strategist Specialist **Supports Multiple ICTs Accounts Receivable** Delivery Management Specialist · Business Analyst Processor (DFAS) Financial Analyst Materials Management Analyst • Accounts Payable Processor • Financial Information Materials Handler (depot) · Professional Series (DFAS) Analyst · Financial Processor (DFAS) Performance Specialist Contract Support Analyst **DFAS Liaison** · Sales & Operations Chief

aecenture

C

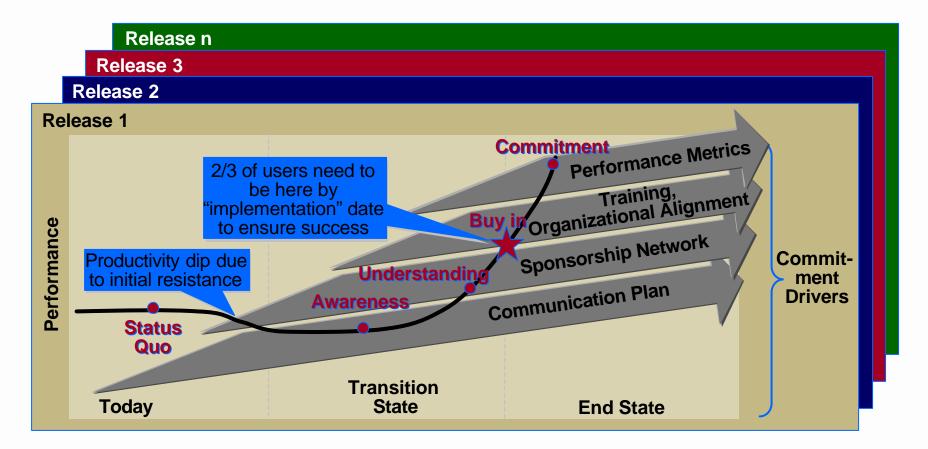
U

S

О М Е

R

S



Our experience indicates that 2/3 of users need to be at the buy-in level at the time of implementation to succeed



- Release 1 is 80% functionality for 5% of users, across all locations
- Release 1 is a live use of the system (no parallel operations)
- Items in Release 1 are managed solely using the new solution (processes, organization, jobs/roles, application, technology)
- Extended Supply Chain solution reaches from the Customer to the Supplier through collaborative planning/forecasting, web-enabled order fulfillment, and web-enabled procurement/contracting
- Release 1 addressing unique challenges of federal procurement/contracting on an accelerated basis, leveraging the PD2/SPS solution that can be adopted by all services
- Customers and Suppliers will be involved in Release 1 and given assistance in how to work with DLA in this collaborative environment



BSM is not a technology driven systems replacement, nor an ERP driven process re-engineering exercise...

BSM is a business outcome based logistics business enterprise transformation, driven by a fundamental cultural shift to best serve its customers!

If You're Not Keeping Score...

... You're Just Practicing!